

**DEPARTMENT OF MENTAL HEALTH,  
RETARDATION AND HOSPITALS  
EAST BAY MENTAL HEALTH CENTER, INC.  
REPORT ON CONTRACT COMPLIANCE  
FISCAL YEAR ENDED JUNE 30, 2000**

**DEPARTMENT OF ADMINISTRATION  
BUREAU OF AUDITS  
ONE CAPITOL HILL  
PROVIDENCE, RI 02908-5889**

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STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration  
BUREAU OF AUDITS  
One Capitol Hill  
Providence, R.I. 02908-5889  
TEL #: (401) 222-2768  
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DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS

EAST BAY MENTAL HEALTH CENTER, INC.  
REPORT ON CONTRACT COMPLIANCE  
FISCAL YEAR ENDED JUNE 30, 2000

**EXECUTIVE SUMMARY**

Management successfully implemented our recommendations included in our examination of the 1999 and 1998 contracts.

We had no significant findings to report for the fiscal year ended June 30, 2000 and, as such, contain no recommendations.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
EAST BAY MENTAL HEALTH CENTER, INC.  
FISCAL YEAR ENDED JUNE 30, 2000

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BUREAU OF AUDITS  
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June 17, 2002

Ms. A. Kathryn Power, Director  
Department of Mental Health, Retardation and Hospitals  
Barry Hall - 2  
600 New London Avenue  
Cranston, RI 02920

Dear Ms. Power:

We have completed an examination of the contracts between the Department of Mental Health, Retardation and Hospitals (MHRH) and East Bay Mental Health Center, Inc., for the fiscal year ended June 30, 2000.

The results of our engagement included herein have been discussed with management and we have considered their comments in the preparation of our report. Since this report discloses no significant findings and recommendations, no written response is necessary as required by Section 35-7-4 of the General Laws.

We wish to express our appreciation to the officials of the Department of MHRH and to the Director and staff members of East Bay Mental Health Center, Inc., for the assistance, cooperation and courtesies extended to us during the course of this examination.

Sincerely,

Stephen M. Cooper, CFE, CGFM  
Chief, Bureau of Audits

SMC:pp

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
EAST BAY MENTAL HEALTH CENTER, INC.  
FISCAL YEAR ENDED JUNE 30, 2000

**SCOPE AND PURPOSE**

The purpose of this examination was to determine compliance with your department's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the Matching Grant Contracts and with the terms and conditions contained within the Community Support, Residential and Acute Alternative Services Contracts as to:

- whether revenues were matchable or nonmatchable;
- total matchable income used as the basis for funding fiscal year 2002;
- whether reported expenses were allowable and properly allocated;
- whether reported revenues were accurate; and
- any over or under funding on behalf of the Department of Mental Health, Retardation and Hospitals.

Our audit of the financial records included verification of revenues and expenses through testing procedures to the extent we deemed necessary in the circumstances. Occupancy requirements and resident contributions were examined for adherence to contract specifications. Client fund management was reviewed for conformance with applicable policies and guidelines.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
EAST BAY MENTAL HEALTH CENTER, INC.  
FISCAL YEAR ENDED JUNE 30, 2000

**BACKGROUND**

Section 40.1-8.5-6 of the General Laws of the State of Rhode Island authorizes the Director of the Department of Mental Health, Retardation and Hospitals (MHRH) to make grants to community mental health centers to provide mentally disabled adults services which shall include but not be limited to psychiatric, medical, nursing, psychological, social, rehabilitative and support services provided in the prevention, diagnosis, treatment and follow-up of mental disabilities, and in addition, may include those services designed to prevent mental disabilities or be of a consultative, informational or educational nature about mental disabilities. It is under this authorization that East Bay Mental Health Center, Inc., operates.

It is the intent of the law that an individual's eligibility to receive any public or private assistance be exhausted prior to the expenditure of state and local monies.

The Center's administrative offices are located at 52 Amaral Street, East Providence, Rhode Island.

The Center owns the following properties which are being used in the Center's housing program:

347 Main Street, Warren, Rhode Island  
680 Hope Street, Bristol, Rhode Island

The Center is governed by a board of directors consisting of 18 elected members.



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

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Ms. A. Kathryn Power, Director  
Department of Mental Health, Retardation and Hospitals  
Barry Hall - 2  
600 New London Avenue  
Cranston, RI 02920

Dear Ms. Power:

We have performed the procedures enumerated below, which were agreed to by the Department of Mental Health, Retardation and Hospitals (MHRH) and East Bay Mental Health Center, Inc., (Center), solely to assist the users in evaluating management's assertion about the Center's compliance with the Division of Behavioral Health's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the matching Grant contracts and with the financial terms and conditions contained within the Community Support Residential and Acute Alternatives Services contracts during the fiscal year ended June 30, 2000, included in the accompanying Report on Contract Compliance. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

For purposes of this engagement we tested compliance with the above-mentioned specified requirements for determining matchable revenues, allowable costs, accuracy of reported activities and any excess funding on behalf of MHRH. Based on the application of the procedures referred to above, nothing came to our attention that caused us to believe that there were instances of noncompliance with the conditions contained within the above mentioned contracts for the fiscal year ended June 30, 2000.


We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Ms. A. Kathryn Power, Director

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This report is intended solely for the use of MHRH and the Center and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Stephen M. Cooper, CFE, CGFM

Chief, Bureau of Audits

October 11, 2001

SMC:pp



DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
EAST BAY MENTAL HEALTH CENTER, INC.  
STATEMENT OF REVENUES AND EXPENSES  
FISCAL YEAR ENDED JUNE 30, 2000

	Community Support, Residential, and Acute Alternatives	Adult General Outpatient	Other Programs	Title XIX Medicaid	Total
<u>Revenues</u>					
MHRH	\$ 280,811	184,185	-	-	464,996
DCYF	-	-	342,622	-	342,622
Other Program Revenue	106,793	34,455	10,837	-	152,085
Title XIX Medicaid	-	-	-	4,128,989	4,128,989
Municipalities	-	156,265	125,040	-	281,305
Fund Raising & Contributions	21,388	16,420	34,731	-	72,539
Third Party Reimbursements	62,140	280,713	121,617	-	464,470
Patient Fees	81,949	56,286	19,175	-	157,410
Rental Income	74,489	-	-	-	74,489
Miscellaneous	76,864	21,073	11,579	-	109,516
Investment Income	14,844	8,489	7,422	-	30,755
Total Revenues	\$ 719,278	757,886	673,023	4,128,989	6,279,176
<u>Expenses</u>					
Personnel	2,973,408	621,207	918,554	-	4,513,169
Operating	1,104,487	112,586	297,738	-	1,514,811
Purchased Equipment	308,110	74,043	81,808	-	463,961
Total Expenses	\$ 4,386,005	807,836	1,298,100	0	6,491,941
<u>Other Financing Sources (Uses)</u>					
Interfund Transfer-Title XIX Medicaid	3,325,750	109,304	693,935	(4,128,989)	-
Excess (Deficiency) of Revenues Over Expenses	\$ (340,977)	59,354	68,858	0	(212,765)

See accompanying notes to financial information.

:SP-15a

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
EAST BAY MENTAL HEALTH CENTER, INC.  
STATEMENT OF OPERATIONS - TITLE XIX PROGRAM  
FISCAL YEAR ENDED JUNE 30, 2000

<u>Beginning Balance</u>	\$ -
Revenues Received Designated for Programs	<u>4,128,989</u>
<u>Revenues Applied:</u>	
Community Support and Related Services	3,325,750
Adult General Outpatient Program	109,304
Other Programs	<u>693,935</u>
Total Applied	<u>4,128,989</u>
<u>Ending Balance</u>	<u>-</u>

See accompanying notes to financial information.

:SP-15b

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
EAST BAY MENTAL HEALTH CENTER, INC.  
STATE MATCHING PROGRAM  
DETERMINATION OF OVER (UNDER) PAYMENT OF STATE MATCHING FUNDS  
FISCAL YEAR ENDED JUNE 30, 2000

State Funds Allocated

Adult General Outpatient Services	168,795	
Community Support, Residential and Acute Alternatives	<u>168,795</u>	<u>337,590</u>

Matchable Revenue - Fiscal Year Ended June 30, 1998		<u>301,383</u>
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Determination of Over (Under)  
Payment of State Funds:

State Funds Allocated (Note 2)		337,590
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## Deduct Lesser of:

(a) Applicable Percentage of Matchable Revenues	337,590	
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(b) State Funds Allocated	337,590	
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Maximum Support - Lessor of A or B (Note 3)		<u>337,590</u>
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Over (Under) Payment of State Matching Funds		<u>-</u>
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See accompanying notes to financial information.

:SP-15c

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
EAST BAY MENTAL HEALTH CENTER, INC.  
FISCAL YEARS ENDED JUNE 30, 2000

**NOTES TO FINANCIAL INFORMATION**

Note 1 - Significant Accounting Policies

Basis of Accounting:

The financial information is presented on the accrual basis of accounting which is in compliance with the Division of Behavioral Health Care Service's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers. Under this basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Note 2 - State Funds Allocated - Exhibit C

These amounts represent the total of the matching grants encumbered by the Department of MHRH for the operation of East Bay Mental Health Center, Inc.

Note 3 - Maximum Support - Exhibit C

State funds allocated are subject to the lesser of the following:

- A. 112.013% of the matchable revenue for fiscal year ended June 30, 1998.
- B. The maximum state funding as determined above cannot exceed the dollar amount originally allocated for the fiscal year.

Note 4 - Other Programs

These amounts represent funding from sources other than MHRH Division of Behavioral Health Services.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
EAST BAY MENTAL HEALTH CENTER, INC.  
STATE MATCHING PROGRAM  
SCHEDULE OF MATCHABLE AND NONMATCHABLE REVENUES  
FISCAL YEAR ENDED JUNE 30, 2000

State of Rhode Island

Adult Outpatient Program	\$ 184,185
Community Support, Residential and Acute Alternatives	<u>280,811</u>

Total State Funds Allocated		464,996
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Matchable Revenues

Municipalities	281,305
Fund Raising - Net & Contributions	<u>63,218</u>

Total Matchable Revenues (For Fiscal Year Ending June 30, 2002)		344,523
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Nonmatchable Revenues

Title XIX Program	4,128,989
Other Program Revenue	654,500
Patient Fees	138,235
Third Party Fees	342,853
Fund Raising Expense	9,321
Investment Income	23,333
Rental Income	74,489
Miscellaneous	<u>97,937</u>

Total NonMatchable Revenues		<u>5,469,657</u>
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Total Revenues (Exhibit A)	\$	<u><u>6,279,176</u></u>
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:SP-15s

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
EAST BAY MENTAL HEALTH CENTER, INC.  
FISCAL YEAR ENDED JUNE 30, 2000

**FINDINGS AND RECOMMENDATIONS**

**Net Operations**

Net operating results for the Center's programs for the fiscal year ended June 30, 2000 is summarized below:

**Revenues Excess (Deficiency) - Exhibit A**

Community Support, Residential and Acute Alternatives	\$ (340,977)
Adult General Outpatient Services	59,354
Other Programs	<u>68,858</u>
Total Revenue (Deficiency)	<u>\$ (212,765)</u>

**General Adult Outpatient Program – State Matching Funds**

There was no over funding of the Matching Program during the period audited (See Exhibit C).

Matchable revenues were examined for the fiscal year ended June 30, 2000 and is summarized as follows:

Municipalities	\$ 281,305
Fund-Raising (Net) & Donations	<u>63,218</u>
Total Matchable Revenues	<u>\$ 344,523</u>

Funds received in fiscal year ended June 30, 2000 will be the basis for determining state funds allocated by the Department of Mental Health, Retardation and Hospitals for the subsequent fiscal year ending June 30, 2002.

**Revenue Deficiencies**

It is our understanding that each contract stands on its own and that the provider absorb any expenses in excess of the contracted amounts.

During the period under review the following MHRH-Division of Behavioral Health Services contract had a revenue deficiency (Exhibit A):

2000 – Community Support, Residential, and  
Acute Alternatives

\$ (340,977)

### **Affiliated Corporation**

East Bay Realty Corporation was formed August 30, 1996 as a nonprofit realty holding company, which provides services adjunctive to the Center's programs. The same board members serve both the affiliate and the Center. The Corporation owns the following property:

Adams Farley Building  
610 Wampanoag Trail  
East Providence, Rhode Island

~ The Adams Farley Building houses the following programs:

Emergency Services  
Adult General Outpatient  
Children General Outpatient  
Children's Intensive